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Message Text

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20
ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-04 FRB-01

INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-01 SIL-01 OMB-01 NSC-05 SS-15 STR-01

CEA-01 DRC-01 /061 W
---------- 047094
R 182019Z OCT 74
FM AMEMBASSY BRIDGETOWN
TO SECSTATE WASHDC 7943
INFO AMCONSUL BELIZE
AMEMBASSY BOGOTA
AMEMBASSY CARACAS
AMCONSUL CURACAO
AMEMBASSY GEORGETOWN
AMEMBASSY KINGSTON
AMEMBASSY PORT OF SPAIN
AMEMBASSY SANTO DOMINGO

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E.O. 11652: N/A
TAGS: EFIN EAID BB
SUBJ: CDB: BANK CONCLUDES 27TH DIRECTORS' MEETING

TO AID FOR VENEZIA

1. SUMMARY. WILLIAM DEMAS, PRESIDING OVER SECOND CDB BOARD OF DIRECTORS' MEETING SINCE ASSUMING PRESIDENCY, OVERSAW BOARD APPROVAL OF US DOLS 3,821,265 IN NEW LOANS TO BRING TOTAL CDB LOANS TO US DOLS 78,781,720. MEETING ALSO DISCUSSED VENEZUELAN AND TRINIDADIAN CONTRIBUTIONS, CHANGES IN CDB INTEREST RATES, POSSIBLE IBRD LOAN, PUERTO RICO MEMBERSHIP, ANTIGUA EARTHQUAKE, DISBURSEMENT RATES, AND NEW IDB RESOLUTION AFFECTING CDB MEMBERS. DEMAS' IMPROVED GRASP OF CDB AFFAIRS INDICATES THAT HE IS SETT-
LING WELL INTO TOP POSITION ALTHOUGH SOME VOICED CRITICISM THAT
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MEETING COULD HAVE BEEN BETTER ORGANIZED AND THAT NEW PRESIDENT

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STILL APPEARS TO BE MORE POLITICIAN THAN BANKER. IN RESPONSE TO FREQUENT LDC CRITICISM OF CDB, DEMAS HAS ASKED BOARD OF DIRECTORS TO ATTEND MEETING (UNDERWAY TODAY) WITH LDC FINANCIAL SECRETARIES AND OTHERS TO DETERMINE WAYS TO SPEED UP IMPLEMENTATION OF CDB'S DEVELOPMENT LOANS. END SUMMARY.

2. PARTIAL RECAPITULATION OF AGENDA BY SUBJECT FOLLOWS:

(A) VENEZUELAN CONTRIBUTION. AT ANNUAL GOVERNORS' MEETING GOV PLEDGED TO CONTRIBUTE US DOLS 10 MILLION TO SDF DURING 1974 AND 1975 PLUS DOLS 25 MILLION SPECIAL TRUST FUND TO PROMOTE CARIBBEAN - LA INTEGRATION. IT WAS DISCLOSED AT BOARD MEETING THAT GOV WOULD BE FORCED TO DELAY SETTING UP TRUST FUND BECAUSE OF LEGISLATIVE COMPLICATIONS. BOARD ALSO AGREED TO DEFER ACCEPTANCE OF GOV SDF CONTRIBUTIONS BECAUSE OF PROCUREMENT RESTRICTIONS THAT MAY GIVE PREFERENCE TO LATIN AMERICAN SOURCES.

(B) GOTT CONTRIBUTION: MEETING TOOK NOTE THAT CDB WAS AWAITING FURTHER INFORMATION ON GOTT CONTRIBUTION TO SPECIAL FUND MENTIONED AT MAY GOVERNORS' MEETING.

(C) IBRD LOAN: PRESIDENT INFORMED BOARD THAT IBRD WOULD SHORTLY SEND TEAM TO APPRAISE CDB IN ADVANCE OF ANTICIPATED DOLS 15 MILLION LOAN.

(D) DISBURSEMENT RATES: PRESIDENT NOTED WITH PLEASURE THAT CDB DISBURSEMENT RATES HAD DOUBLED OVER PAST YEAR.

(E) INTEREST RATES: BOARD DEFERRED ACTION ON CDB PROPOSAL TO RAISE SDF INTEREST RATES FROM 4 PERCENT TO 5 PERCENT AND ORDINARY RESOURCE RATES BY 3/4 - 1.5 PERCENT. DIRECTORS FOR CANADA, UK AND BELIZE TOOK LEAD IN OPPOSING ACTION AT THIS TIME, CLAIMING THAT CDB PROPOSALS WERE TOO VAGUE AND REQUIRED EXPLANATION AND QUANTIFICATION.

(F) PUERTO RICO MEMBERSHIP: DIRECTORS DEFERRED CONSIDERATION OF PR MEMBERSHIP APPLICATION ON REQUEST OF GOTT WHICH ASKED FOR FURTHER TIME TO STUDY IT. (PR HAS APPARENTLY ASKED CDB FOR FORMAL REPLY BY DECEMBER 1, 1974).

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(G) IDB RESOLUTION: BOARD DISCUSSED IDB MEMBERSHIP RAISED AT SANTIAGO GOVERNORS' MEETING EARLIER THIS YEAR REGARDING BANK MEMBERSHIP FOR CERTAIN INDEPENDENT CARIBBEAN COUNTRIES AND BORROWING ELIGIBILITY THROUGH CDB FOR CERTAIN NON-INDEPENDENT LDC'S. BOARD NOTED THAT LATTER PROPOSAL WAS NOT YET ACCEPTED BECAUSE OF ADMINISTRATIVE AND LEGAL COMPLICATIONS.

(H) ANTIGUA EARTHQUAKE: DEMAS BRIEFLY DISCUSSED HIS TOUR OF

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ANTIGUA FOLLOWING LAST WEEK'S EARTHQUAKE. HE AGREED THAT CDB WOULD ACT AS COORDINATOR FOR RECOVERY ASSISTANCE AND WOULD PROVIDE INFORMATION TO ANY INTERESTED DONOR.

3. ONE MANIFESTATION OF PRESIDENT DEMAS' EMPHASIS ON LDC DEVELOPMENT IS CONFERENCE TAKING PLACE OCTOBER 17 AT BARBADOS HILTON BETWEEN ENTIRE SENIOR CDB STAFF AND FINANCIAL SECRETARIES AND OTHER REPRESENTATIVES OF AREA LDC'S. PURPOSE OF MEETING IS TO AFFORD LDC REPRESENTATIVES OPPORTUNITY TO VOICE CRITICISM OF CDB AT CONSTRUCTIVE FORUM WHERE CDB STAFF WILL BE ABLE TO RESPOND, POSSIBLY RESULTING IN IDENTIFICATION OF WAYS TO SPEED IMPLEMENTATION OF DEVELOPMENT LOANS.

5. COMMENT: ACCORDING TO THOSE WHO ATTENDED, DEMAS, NOT SURPRISINGLY, SEEMED MUCH MORE IN COMMAND OF SITUATION THAN AT AUGUST MEETING. SOME DIRECTORS COMPLAINED THAT MEETING LACKED ORGANIZATION (VENEZUELAN LOAN DETAILS WERE PASSED OUT DAY BEFORE MEETING) AND THAT DEMAS SHOWED CERTAIN LACK OF CONSIDERATION FOR DIRECTORS BY DISAPPEARING FOR UP TO AN HOUR FOR TELEPHONE CALLS AND OTHER MEETINGS. THERE IS SOME CONCERN THAT APPROVAL OF US DOLS 2 MILLION LOAN FOR ST. KITTS DEEP WATER PORT, A PROJECT SIR ARTHUR LEWIS DESCRIBED AS "MARGINAL AT BEST", MAY BE INDICATION THAT CDB UNDER DEMAS IS MOVING TO CONSIDER PROJECTS MORE FOR THEIR POLITICAL MERIT THAN ECONOMIC VALUE. WE SEE NO EVIDENCE OF THIS YET AND NOTE THAT ST. KITTS' PORT PROJECT APPROVAL IS CONDITIONED ON ITS SHOWING ACCEPTABLE RATE OF RETURN. DEMAS' MEETING WITH LDC REPS APPEARS TO BE AN EXCELLENT IDEA THAT MAY MARK MAJOR IMPROVEMENT IN UP TO NOW STRAINED RELATIONS BETWEEN BANK AND POORER LDC'S.
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